

**IN THE CHANCERY COURT OF LEWIS COUNTY
AT HOHENWALD, TENNESSEE**

In Re: Sentinel Trust Company

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)
) Case No. 4781
)

**RECEIVER'S RESPONSE TO EMERGENCY MOTION OF THIRD PARTY
CHAMBERS HEALTH CARE SOCIETY FOR AN ORDER REQUIRING
RECEIVER TO WAIVE WAITING PERIOD TO PERMIT REDEMPTION OF BONDS**

Chambers Health Care Society ("Chambers") comes before the Court claiming third-party status¹ and requests that two waiting periods called for in the indenture trust agreement to a particular bond issue² be waived so as to allow a quicker completion of a redemption of the bond issue.

The two waiting periods at issue are designed for specific, yet separate, reasons and, if enforced, would arguably result in the depositing of the full refunding amount with the Sentinel Trust receivership estate on the bond issue for 120 days prior to Sentinel paying the funds out to the bondholders and, thus, completing the redemption. The first waiting period is a 90 day period as measured from the deposit with Sentinel of the full refunding amount. This 90 day waiting period is designed to avoid any preference argument if the refunding bond issuer has a subsequent bankruptcy. The second waiting period is a 30 day period that runs immediately after

¹ The Sentinel Trust Receiver objects as to whether Chambers has standing to claim third-party status. If the Court is inclined to allow what amounts to an intervention by Chambers, the Receiver requests that such entry into this case be specifically limited to the instant motion.

² The bond issue at bar is the Newton County, Georgia Industrial Development Authority/Riverside Nursing Home bond.

the 90 day period mentioned above. The 30 day period is a notice period during which bondholders are notified of the redemption, and during which the bonds are returned for payment of the appropriate redemption amounts.

The thrust of Chambers' motion is that the waiting periods are unnecessary given the situation and that a quickly completed redemption of the Newton County/Riverside bonds is in the best interest of everyone.

The Receiver is in favor of matters that appear to be in the best interest of everyone. In caution, however, the Receiver responds to this motion asserting 1) that the 30 day notice to bondholders period should not be waived and 2) that the 90 day "bankruptcy preference" waiting period can be waived if Chambers provides a detailed financial statement showing the unlikelihood of its taking bankruptcy and if West Street Associates, LLC/Wellington Health Care Services, LLP provide detailed financial statements and provide adequate indemnification in favor of the Sentinel Trust receivership estate and the Newton County/Riverside bondholders.³

a) 30 Day Notice to Bondholders Period Needs to Remain

There is nothing out of the ordinary relating to the 30 day notice to bondholders period contained in the Newton County/Riverside indenture trust agreement. Neither Chambers nor the new lender, West Street Associates, LLC/Wellington Health Care Services, LLP, can maintain otherwise. The SEC, in Release #34-23856, specifically acknowledges that a 30 day notice period to bondholders, as measured from the date of publication of the redemption, is a standard, if not a minimum, time frame. See copy of SEC Release #34-23856, 1986 SEC LEXIS 240,

³ The Receiver, through this Response, does not waive the ability to scrutinize the bond redemption transaction to the extent that it might have impact upon other matters being pursued by it. This Response addresses solely the issue raised by Chambers of the waiver of waiting periods contained in the indenture trust agreement.

attached (p. 4, Section C). Time is needed after a publication date to accomplish the logistics of the bondholders receiving the notice, acting upon it and providing the bond certificate to the Sentinel Trust receivership for redemption. Because of this, the Receiver respectfully opposes Chambers' request to have the 30 day period waived.

b) **90 Day "Bankruptcy Preference" Period Can be Waived If Financial Statements and Adequate Indemnifications Are Provided**

The Receiver is willing to agree to the waiver of the 90 day "bankruptcy preference" period if it and the Newton County/Riverside bondholders receive from Wellington Health Care an adequate indemnity against being pursued for disgorgement of bond redemption payments upon the event of Chambers filing for bankruptcy protection and if it receives a detailed financial statements from both Chambers and Wellington. The Sentinel Trust Receiver recognizes that, according to the Affidavit of William R. Hill, Chambers is currently in good financial condition and has no present intention to seek bankruptcy protection.⁴ The Receiver, however, must address matters with, perhaps, an extra degree of caution, and, thus, must recognize even the small chance of a Chambers' bankruptcy and the significant problems that such would visit upon it and the Newton County/Riverside bondholders. To that end, in order to agree to waive the 90 day "bankruptcy preference" period, the Receiver would request that the new lender, West Street Associates, LLC and its parent, Wellington Health Care Services, LLP, indemnify and hold harmless the Sentinel Trust receivership estate, its Receiver and the Newton County/Riverside bondholders from any and all judgments, damages and/or costs, including attorneys' fees upon the event that anyone so indemnified is pursued for disgorgement of bond redemption payments

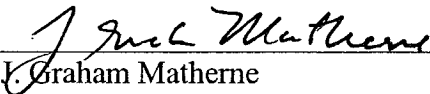
⁴ Through this Response, the Receiver is neither admitting or denying the assertion of financial soundness made by Mr. Hill on behalf of Chambers.

or fees caused by a bankruptcy of Chambers. Additionally, the Receiver would request that both Wellington and Chambers submit detailed financial statements to further bolster the position that both are in good financial condition.

The Sentinel Trust Receiver asserts that the providing of the requested indemnity and financial statements strikes the appropriate balance as between the advantages of completing the bond redemption quicker and providing the security needed by the Sentinel Trust receivership estate and the Newton County/Riverside bondholders.

Accordingly, in response to Chambers' motion, the Sentinel Trust Receiver requests entry of an order reflecting the position stated in this filing.

Respectfully submitted,



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